

**CITY OF SHEFFIELD**

**INDEPENDENT ACCOUNTANT'S REPORT ON THE STATUS OF PERIODIC EXAMINATION  
FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD  
DECEMBER 1, 2015 THROUGH MAY 31, 2016**

## CITY OF SHEFFIELD

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**City of Sheffield**

**Officials**

Name	Title	Term Expires
<b>(Before January 2016)</b>		
Nick Wilson	Mayor	January 2016
Ken Berding	Council Member	January 2016
Jim Hegarty	Council Member	January 2016
JC McCaslin	Council Member	January 2018
Mike McKee	Council Member	January 2018
Ron Simmons	Council Member	January 2016
Katy Flint	City Clerk	Indefinite
Megan Rosenberg	City Attorney	Indefinite
<b>(After January 2016)</b>		
Nick Wilson	Mayor	January 2018
Brad Mulford	Council Member	January 2018
Jim Hegarty	Council Member	January 2018
JC McCaslin	Council Member	January 2018
Mike McKee	Council Member	January 2018
Ron Simmons	Council Member	January 2018
Katy Flint	City Clerk	Indefinite
Megan Rosenberg	City Attorney	Indefinite



**INDEPENDENT ACCOUNTANT'S REPORT ON THE STATUS OF PERIODIC  
EXAMINATION FINDINGS AND RECOMMENDATIONS**

To the Honorable Mayor  
and Members of the City Council:

Gardiner Thomsen P.C. issued a Periodic Examination Report dated November 5, 2014 on the City of Sheffield, Iowa covering the period July 1, 2013 through June 30, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report date November 5, 2014 and the current status of the City's implementation of the recommendations included in that report. It also includes additional findings and recommendations for other issues identified during our follow-up procedures.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sheffield and other parties to whom the City of Sheffield may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Sheffield during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Gardiner Thomsen, P.C.*

Charles City, Iowa

September 13, 2016

**Report on the Status of Periodic Examination  
Findings and Recommendations**

CITY OF SHEFFIELD

REPORT ON THE STATUS OF THE PERIODIC EXAMINATION FINDINGS AND RECOMMENDATIONS

**Findings Reported in the Periodic Examination Report dated November 5, 2014:**

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

**Current Status – Not Corrected. The recommendation is repeated. In addition, see Finding (K).**

(B) Bank Reconciliations – The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, bank and book balances did not properly reconcile.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

**Current Status – Partially Corrected. It was noted the cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the period. However, for the two months reviewed, bank and book balances did not properly reconcile. The recommendation is repeated.**

(C) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

**Current Status – Fully Corrected. The City adopted a written investment policy to comply with the provisions of Chapter 12B.10B of the Code of Iowa. The recommendation is not repeated.**

CITY OF SHEFFIELD

REPORT ON THE STATUS OF THE PERIODIC EXAMINATION FINDINGS AND RECOMMENDATIONS (CONTINUED)

**Findings Reported in the Periodic Examination Report dated November 5, 2014 (Continued)**

- (D) City Council Minutes – Chapter 21.4 of the Code of Iowa requires proper notice be given before a City Council meeting. No documentation was available to support that proper notice had been given. Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and specifies what should be included in the publication. No documentation was available to support that the minutes of the City Council proceedings were properly published.

Recommendation – The City should comply with Chapter 21 and Chapter 372 of the Code of Iowa.

**Current Status – Not corrected. The recommendation is repeated. In addition see Finding (L).**

- (E) Monthly Clerk's Report – Financial information provided to the City Council monthly should include a City Clerk's report showing receipts, disbursements, transfers and balances for each fund as well as a comparison of actual disbursements to budgeted disbursements by program. The only financial information submitted monthly to the City Council is a report showing total receipts and disbursements for each fund.

Recommendation – The City should review and implement procedures to ensure adequate financial information is submitted monthly to the City Council.

**Current Status – Not corrected. The recommendation is repeated.**

- (F) Annual Financial Report – It was noted that the City's Annual Financial Report does not accurately reflect the City's financial information. The beginning and ending fund balances as well as receipts and disbursements do not reconcile to the City's trial balance. The amount of interest paid and transfers are not accurately reflected on the Annual Financial Report.

Recommendation – The City should establish procedures to ensure that the Annual Financial Report accurately reflects the City's financial statements.

**Current Status – Not corrected. The receipts, disbursements and fund balances reported in the fiscal year 2015 AFR do not agree to the City's records. The recommendation is repeated.**

- (G) Deficit Balance – Per the City's Annual Financial Report, the City's Debt Service Fund had a deficit balance of \$134,611 at June 30, 2014.

Recommendation – The City should investigate alternative to eliminate the deficit in order to return the Debt Service Fund to a sound financial position.

**Current Status – Fully corrected. The City had no deficit fund balances as of May 31, 2016. The recommendation is not repeated.**

- (H) Supporting Documentation – It was noted that not all claims were supported by proper documentation. It was also noted that seventeen lifeguards were reimbursed for obtaining a certificate, but there was not support to show what certificate was obtained or the cost of the certificate.

Recommendation – All claims should be supported by proper documentation.

**Current Status – Fully corrected. All claims reviewed were supported by proper documentation. The recommendation is not repeated. In addition, see Finding (M).**

CITY OF SHEFFIELD

REPORT ON THE STATUS OF THE PERIODIC EXAMINATION FINDINGS AND RECOMMENDATIONS (CONTINUED)

**Findings Reported in the Periodic Examination Report dated November 5, 2014 (Continued)**

- (I) Salary Resolution – It was noted that salaries and hourly wages are not being approved by the City Council by Resolution. Documentation for approved salary or hourly wages was not available for multiple employees selected for testing.

Recommendation – The City Council should approve salaries or hourly wages for all City employees.

**Current Status – Fully Corrected. For employees selected for testing, salaries and hourly wages were approved by the City Council by Resolution. The recommendation is not repeated.**

- (J) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government and debt service functions as well as for business-type activities. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under and annual or continuing appropriation”.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Current Status – Not corrected. Disbursements for the period ended May 31, 2016 exceeded the amounts budgeted in the Public Works and Community and Economic Development functions. The recommendation is repeated.**

**Additional Findings as a Result of Follow-Up Procedures:**

- (K) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over the duties noted in Finding (A) and over each of the following areas for the City:

- (1) Investments – recordkeeping, compliance and debt payment processing.
- (2) Debt – recordkeeping, compliance and debt payment processing.
- (3) Payroll – entering rates into the system
- (4) Utilities – entering rates into the system
- (5) Computer System – performing all general accounting functions, controlling all data input and output and having custody of assets.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (L) City Council Minutes – It was noted that the Council went into closed session on May 9, 2016 and the specific exemption under Chapter 21.5 of the Code of Iowa was not identified or documented as required.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa when going into closed session.



CITY OF SHEFFIELD

REPORT ON THE STATUS OF THE PERIODIC EXAMINATION FINDINGS AND RECOMMENDATIONS (CONTINUED)

**Additional Findings as a Result of Follow-Up Procedures:**

(M) Disbursements – It was noted that supporting documentation for claims is not cancelled to prevent reuse.

Recommendation – The City should establish procedures to cancel supporting documentation for claims to prevent reuse.

## NEWS RELEASE

### FOR RELEASE

Gardiner Thomsen, P.C. today released a Report on the Status of Findings and Recommendations on the City of Sheffield's Periodic Examination Report dated November 5, 2014. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period December 1, 2015 to May 31, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight. Six of the ten findings reported in the Periodic Examination Report dated November 5, 2014 are repeated in this report. While the City partially corrected one of the ten findings, five of the findings are reported as "not corrected". Four findings were reported as "fully corrected". Three additional findings identified during the follow-up procedures are also included in this report. Gardiner Thomsen, P.C. made recommendations including a recommendation that the City review its control procedures to obtain the maximum internal control possible.

A copy of the Report on the Status of Findings and Recommendations from the City of Sheffield's Periodic Examination Report dated November 5, 2014 is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.